FRONSAC REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION & ANALYSIS

FORM 51-102F1

FOR THE YEAR ENDED DECEMBER 31, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS

April 3, 2012

Scope of analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Fronsac Real Estate Investment Trust ("Fronsac REIT" or the "Trust") is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the periods of 3 months and 12 months ended December 31, 2011. It should be read in conjunction with the Audited Consolidated Financial Statements of December 31, 2011 and the Trust's Audited Consolidated Financial Statements and MD&A for the year ended December 31, 2010. The financial data contained in this MD&A has been prepared in accordance with the International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars.

Forward-looking statements and disclaimer

Securities laws encourage companies to present forward-looking information to provide investors with a better understanding of the Trust's future prospects and help them make informed decisions. This MD&A contains forward-looking statements about the Trust's objectives, strategies, financial position, results of operations, cash flows and operations, which are based on management's current expectations, estimates and assumptions about the markets in which it operates.

Statements based on management's current expectations contain known and unknown inherent risks and uncertainties. Forward-looking statements may include verbs such as "believe," "anticipate," "estimate," "expect," "intend" and "assess" or related expressions, used in the affirmative and negative forms. These statements represent the Trust's intentions, plans, expectations or beliefs and are subject to risks, uncertainties and other factors, many of which are beyond the Trust's control. Actual results may vary from expectations. The reader is cautioned not to place undue reliance on any forward-looking statements. Please note that the forward-looking statements contained in this MD&A describe our expectations as at April 3, 2012.

Trust formation and conversion of Fronsac Capital Inc.

Fronsac REIT is an unincorporated open-ended real estate investment trust formed on March 11, 2011 under the laws of the province of Quebec. On July 1st 2011, Fronsac Capital Inc. ("Fronsac") was converted into a real estate investment trust by exchanging its common shares for trust units of FPI Fronsac. As of that date, Fronsac REIT has issued 13,790,000 trust units exchanged for 13,790,000 common shares of Fronsac. Upon this conversion, Fronsac REIT has inherited the real estate portfolio of Fronsac and continued its operations.

Description of the Issuer's business

Fronsac REIT is an active trust operating in the real estate commercial market. Through its wholly owned subsidiaries, 9167-9688 Quebec Inc. ("9167 Qbc") and 9208-9226 Quebec Inc ("9208 Qbc") and Société en commandite Fronsac Rivière-du-Loup ("SEC RDL"), where Fronsac REIT is the sole limited partner, the Trust owns real estate commercial properties. The commercial property of 9167 Qbc is located along the highway 20 near Mont St-Hilaire and has three tenants, a McDonald restaurant, a Beau-Soir convenience store and an Ultramar service station. The commercial property of 9208 Qbc is located alongside highway 35 in St-Jean-sur-le-Richelieu. The real estate property is comprised of two buildings. The first building houses a convenience store and a Shell gas station and the second building houses three car wash. Finally the commercial property of SEC RDL, acquired on September 7, 2011, located near highway 20 in Rivière-du-Loup, has a Couche-Tard convenience store and a Petro-Canada gas station.

Fronsac is constantly looking for acquisitions of real estate investments that include a service station with a convenience store and a fast food restaurant.

Transition to IFRS made by Fronsac Capital Inc.

On January 1st 2011, at which date the operations were conducted under Fronsac, this latter has transitioned to IFRS in the presentation of its financial statements, as required by the Canadian Accounting Standards Board. Consequently Fronsac has prepared an opening balance sheet as of January 1st 2010 in order to present comparative financial statements under IFRS.

The transition from Generally Accepted Accounting Principles of Canada ("Canadian GAAP") to IFRS has affected the Investment Properties and Deferred Taxes accounts. Under IFRS the Investment Properties could be valued by using either the cost model or the fair value model. Fronsac has elected the fair value model which requires that at each financial statements date, the Investment Properties must be shown at fair value. Canadian GAAP required Investment Properties to be shown at cost and depreciated over their estimated useful life, namely called net book value.

Consequently, on January 1st 2010, Fronsac has increased the value of its Investment Properties by $862,448 to a balance of $6,060,000. This increase has also changed the deferred taxes by $422,251 from an asset balance of $180,558 to a liability balance of $241,693.

The two adjustments represent the principal changes required by the transition from Canadian GAAP to IFRS. This transition has also modified the results of operations of the 2010 financial year, as no amortization on Investment Properties is taken under IFRS.

As at December 31, 2010, Fronsac has then increased the value of its Investment Properties by $1,056,088 to show them at $6,084,704. This adjustment is composed of the increase of $862,448 made on January 1st 2010, the cancellation of the amortization expense of $193,640 taken in 2010 and of no change in the fair value of the Investment Properties during 2010.

Highlights of fourth quarter

On December 21, 2011, Fronsac REIT made a private placement. The Trust has issued 6,400,000 units at a price of $0.25 per unit for a gross proceed of $1,600,000. Units issue costs amounted to $16,463.

The proceed was used to partially reimburse the Trust's mortgages. The reimbursements were made in January 2012.

Outlook 2011

Fronsac REIT is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

Depending on the magnitude of potential acquisitions, the Trust could issue additional equity capital. Fronsac REIT will try to maintain a debt/equity ratio of 40/60.

Fronsac REIT does not foresee any major repairs on its commercial properties as their construction is recent and their present condition is excellent.

Business and operations review

Real estate investments

Fronsac REIT is the owner of three (3) commercial properties located in Mont St-Hilaire, St-Jean-sur-le-Richelieu and Rivière-du-Loup. The commercial properties are fully occupied. The leases are "triple net" which means that all expenses including property taxes are payable by the tenants.

The 2010 comparative numbers pertain to Fronsac Capital Inc. and its subsidiaries.

Results of operations

Income	*three months ended*		*twelve months ended*	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	$	$	$	$
Property rental revenue	135,844	112,954	512,242	476,946
Interest on mortgages	34,700	36,955	137,965	147,712
Interest on long-term debt	16,026	12,250	53,721	49,000
Net income (loss)	(42,532)	20,381	(102,391)	75,542
Net income per unit – basic and diluted	(0.003)	0.001	(0.007)	0.006
Funds from operations	43,828	19,890	75,729	147,247
Funds from operations per unit – basic and diluted	0.003	0.001	0.005	0.012
Weighted average units outstanding	14,520,870	13,790,000	13,974,219	12,598,904

Results of operations for the quarter ended December 31, 2011

The net loss for the quarter ended December 31, 2011 was $(42,532) or $(0.003) per unit compared to a net income of $20,381 or $0.001 per unit for the comparative quarter of 2010. The net loss of this current quarter includes expenses of $40,396 [2010: revenues of $34,081] for the increase in fair value of the interest rates swap liability, derivative component of the convertible long-term debt and other components measured at fair value at each reporting date.

For the quarter, the Trust had rental revenues of $135,844 [2010: $112,954] composed of fixed monthly rents and royalties based on tenants' sales. For the 2011 quarter, Fronsac REIT had the commercial properties of Mont St-Hilaire, St-Jean-sur-le-Richelieu and Rivière-du-Loup in full operations for the three (3) months, whereas in 2010, only the properties of Mont-St-Hilaire and St-Jean-sur-le-Richelieu were in operations for the full quarter.

The main operating expenses were interest on mortgages [$34,700] [2010: $36,955], interest on long-term debts [$16,026] [2010: $12,250], and in administrative expenses, professional fees of [$15,971] [2010: $33,194] and registration and listing fees [$7,495] [2010: $6,034].

Interest expense represents the interest paid on the mortgages and on the long-term debts. The interest rates range from 4.75% to 10.00%. At the time of acquisition of the property of St-Jean-sur-le-Richelieu, the Trust hedged itself against increases in variable interest rates with an interest rate swap. Consequently on the original $2,100,000 mortgage, the maximum interest rate over the next 5 years is 5.01%. For the December 31, 2011 quarter, interest on mortgages were paid on two (2) mortgages with a value of $2,737,254 as of that date, long term debts of $883,000 and convertible preferred units of $327,739. For the quarter ended December 31, 2010, the interest was also paid on two (2) mortgages with a value of $2,928,431 and long term debts of $550,000.

Professional fees include sums paid to the accountant for the recording of transactions, to lawyers for the conformity to the TSX Venture Exchange (the «Exchange») rules and $9,000 [2010: $9,000] paid to a company owned by an officer for the administration of operations of the Trust. Registration and listing fees include disbursements related to being a company listed on the Exchange.

Results of operations for the fiscal year ended December 31, 2011

The net loss for the year ended December 31, 2011 was $(102,391) or $(0.007) per unit compared to a net income of $75,542 or $0.006 per unit for the comparative period of 2010. The net loss of 2011 includes disbursements of $106,813 related to the conversion to a real estate investment trust and the acquisition of SEC RDL [2010: $0], for which $65,062 was paid to a legal partnership of a trustee of Fronsac REIT. This year's loss also includes expenses of $106,103 [2010: $20,562] for the increase in fair value of the interest rates swap liability, derivative component of the convertible long-term debt and other components measured at fair value at each reporting date.

For the 2011 year, the Trust had rental revenues of $512,242 [2010: $476,946] composed of fixed monthly rents and royalties based on tenants' sales. The 2011 rental revenues include the Rivière-du-Loup site from September 7, 2011 to December 31, 2011.

The main operating expenses were interest on mortgages [$137,965] [2010: $147,712], interest on long-term debt [$53,721] [2010: $49,000], and in administrative expenses, professional fees, other than the ones paid for the conversion to a real estate investment trust and acquisitions, of [$71,996] [2010: $81,729] and registration and listing fees [$37,515] [2010: $26,335].

Interest expense represents the interest paid on two (2) mortgages, three (3) long-term debts and one (1) debt shown as convertible preferred units. For the period of 2010, interest was paid on two (2) mortgages and two (2) long term debts.

Professional fees include sums paid to the accountant for the recording of transactions, to lawyers for the conformity to the TSX Venture Exchange (the «Exchange») rules and $36,000 [2010: $36,000] paid to a company owned by a director for the administration of operations of the Trust.

Registration and listing fees include disbursements related to being a company listed on the Exchange. The increase in the 2011 fees is explained by the disbursements related to the conversion of Fronsac into a real estate trust, the acquisition of Rivière-du-Loup, and the private placement of $1,600,000 made on December 21, 2011.

The Company uses the «funds from operations» measurement to assess the performance of its operations. This measurement, which is a non-IFRS measurement, provides a better evaluation of the performance of the operations and is largely used in the commercial real estate industry.

Funds from operations	*three months ended*		*twelve months ended*	
Reconciliation of income to funds from operations	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	$	$	$	$
Net income before taxes	1,168	52,120	(58,691)	107,281
Unit-based compensation	5,394	0	25,894	12,000
Interest at effective rate	809	0	2,739	0
Variation of derivative instruments	30,000	0	60,000	0
Variation in fair value of other financial components	9,606	0	9,606	0
Amortization intangible assets	1,851	1,851	7,404	7,404
Unrealized loss (gain) on interest swaps	(5,000)	(34,081)	28,777	20,562
Funds from operations	43,828	19,890	75,729	147,247

Details of cash flows obtained during the period are summarized in the following table:

Cash flows	*three months ended*		*twelve months ended*	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	$	$	$	$
Operating activities	15,010	48,687	51,407	164,621
Investing activities	(36,446)	(17,829)	(361,215)	(24,704)
Financing activities	1,551,942	(47,794)	1,408,560	358,573
Increase (decrease) in cash and cash equivalents	1,530,506	(16,936)	1,098,752	498,490
Cash and cash equivalents – beginning of period	455,214	903,904	886,968	388,478
Cash and cash equivalents – end of period	1,985,720	886,968	1,985,720	886,968

Funds used in the investing activities represent the acquisition of the commercial property of Rivière-du-Loup. Funds obtained from the financing activities represent cash obtained from the private placement of December 21, 2011 and the exercise of options reduced by the monthly payments made on mortgages.

Financial Position	December 31, 2011 $	December 31, 2010 $
Investment Properties	7,111,919	6,084,704
Cash and Cash Equivalents	1,985,720	886,968
Total Assets	9,335,868	7,141,147
Mortgages	2,737,254	2,928,431
Long-term debt	883,000	550,000
Convertible preferred units	327,739	0
Total Liabilities	4,527,216	3,892,141
Equity	4,808,652	3,249,006

Capital structure and liquidity

The real estate business is capital-intensive by nature. The Trust's capital structure is key to financing growth. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that Fronsac REIT blend of debt and equity in its capital base provides stability and reduces risks, while generating an acceptable return on investment, taking into account the long-term business strategy of the Trust.

The Company's debts are composed of two (2) mortgages with financial institutions for a total of $2,737,254 maturing in 2014, three (3) debentures totalling $300,000 maturing in 2012, one (1) note payable of $250,000 maturing in 2014, a balance of sale of $333,000 maturing in 2014 and a convetible debt with an original value of $333,000 and shown on the balance sheet at $327,739. For the debt with the financial institutions, the Trust chooses a constant monthly payment of the principal in the amount of $5,637 for one mortgage and $10,294 for the second mortgage, because it is confident that the level of occupancy of the commercial properties will stay high and the corresponding liquidity provided by the leases will serve to pay the debt. For the debentures, the note payable and the balance of sale, the reimbursement of the principal is scheduled at maturity date. The convertible debt will eventually be settled through the issuance of trust units.

The Trust has sufficient liquidity which will help it to keep a ratio of debt to aggregate assets between 40% to 55% for future acquisitions. The ratio could be revised, as the Trust anticipates an increase in future interest rates.

Trust unit

The Trust is authorized to issue an unlimited number of trust units. During the quarter ended December 31, 2011, the Trust has issued 6,400,000 units as part of a private placement made on December 21, 2011. The Trust has also issued 324,000 units following exercise of options. As at December 31, 2011, the total number of units issued and outstanding was 20,514,000 units. During the same quarter, the Trust has granted no unit options and no warrants. As at December 31, 2011, 505,000 unit options and 250,000 warrants were outstanding.

Subsequent Events to December 31, 2011

In January 2012, the Trust made partial repayments on its mortgages. On a mortgage with a balance of $935,784, the Trust made a reimbursement of $345,000. On another mortgage with a balance of $1,801,470, the Trust made a reimbursement of $1,301,470.

Also in January 2012, the Trust reimbursed $100,000 on a debt maturing in July 2014 and with a balance of $250,000 before reimbursement.

Contractual Obligations

Fronsac REIT has negotiated an agreement with a company related to a director for the running of the operations. Under the terms of the agreement, Fronsac REIT is paying $3,000 per month. The agreement ends on August 31, 2012.

Off-Balance Sheet Arrangements

None during the year ended December 31, 2011.

Related Party Transactions

During the quarter ended December 31, 2011, the Trust paid $9,000 of professional fees to a company controlled by a trustee. For the year ended December 31, 2011 the Trust paid $103,850 of professional fees to the latter company and a legal partnership controlled by a trustee. Also during the quarter, Fronsac REIT paid $8,463 in lawyer fees to a person related to a trustee. For the full year the Trust paid $25,464 to that person.

The Trust also obtained, during the quarter, $72,012 of rental income from companies controlled by a trustee and his wife and $276,483 for the full year. Finally the Trust paid, during this quarter, $4,000 in interest to two trustees for a total of $16,000 for the year.

Critical Accounting Estimates

The Trust exercised critical accounting estimates in the determination of the fair value of the investment properties, the interest rate swaps, the fair value of its derivative financial instruments, the unit-based compensation liability and the computation of future income tax assets and liabilities.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures is periodically conducted by and under the supervision of our management, including the CEO and CFO. Based on those evaluations, the CEO and CFO has concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Additonal information

Additional information relating to the Trust can also be found on SEDAR at www.sedar.com.